

Navigating Energy Market Volatility

Through the EPC energy program and our partnership, IGS has been actively monitoring market trends to strategically layer hedges when prices dip and helping keep school energy costs as low and stable as possible, even amid the current national energy shortage.

Market Conditions

Energy and capacity costs have risen, and continue to rise, due to a combination of factors affecting Ohio and the broader PJM region (from New Jersey to Chicago):

Natural Gas Volatility

This summer, natural gas power plants supplied ~44% of PJM's generation. As the main driver of electricity costs, natural gas prices have swung sharply with weather, production shifts, and rising global demand. Increased U.S. exports are also adding further upward pressure on domestic prices, with no end in sight.

Capacity Costs

Market-based auctions that secure generation for peak demand (to avoid brown/blackouts) have surged. PJM's FY26/27 auction cleared on July 22, 2025 and hit a record high of \$329.17/MW-day, a ~22% increase from the current FY25/26 price which was ~800% higher than FY24/25. This resulted in about a \$0.02/kWh increase.

Regulatory Changes

Federal policy adjustments have reduced renewable incentives and added compliance costs (i.e. reliability, cybersecurity, fuel security), which are always passed on to us as end users.

Transmission & Distribution

The grid is over 70 years old, despite a 50-year design life, and requires major upgrades. These infrastructure costs are managed by AES Ohio, reflected on the Delivery portion of your invoice, and expected to increase again June 1, 2026 with AES Ohio's pending rate case currently in front of the PUCO.

Our Strategy

Together with EPC, we've refreshed pricing throughout the year and used a dollar-cost averaging approach to evaluate layering hedges over time rather than making a single market-timed purchase.

- **2025 Outcome:** This strategy reduced EPC energy prices by 9.5% (from 0.0599/kWh to 0.056/kWh).
- **2026 Outlook:** Prices remain 15–25% above 2025 levels, limiting hedge opportunities. Some cost increases may be unavoidable, but currently being monitored.
- **Beyond 2026:** The market shows signs of both backwardation (2030 prices lower than 2026) and parity (flat pricing between 2027–2030), reinforcing the need for strategic timing and flexibility.

Options to Offset Increases

- **Capacity Curtailment:** Opt in to emails about when to reduce energy usage during grid peaks to lower your capacity obligation. The capacity season runs June 1 – Sept 30.
- **Transmission Curtailment & Opt-In:** Tariff changes have led to an opportunity for districts who have a transmission obligation than peak demand obligation to reduce costs.
- **Demand Response:** Earn incentives by reducing your load during grid stress events, and be compensated.
- **Sustainability Projects:** Continue to evaluate and invest in energy efficiency upgrades to reduce your energy usage and reduce long-term costs.

How to Budget This?!

Maha Kashani, EPC's IGS Account Manager, is here to help. She has built a strong archive of historic usage and is available to meet with districts to review your data and assist with budgeting for the November 5-Year Forecast.

➡ Schedule your budget analysis: maha.kashani@igs.com

Take Away

While increases in both energy and capacity costs are expected, we are proud of our disciplined, forward-looking strategy designed to keep school pricing as stable as possible via strategic hedging to minimize the financial impact on your district.

We will continue to work with EPC to provide updates on market conditions, anticipated rate impacts, and the timing of future hedge positions. And, as always, Maha is available to assist with 5 year forecast budgets.

Have questions about your district's energy usage/costs? Please don't hesitate to contact Maha!

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